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October 5, 2007

Business performance management made easy By Randall Wheeler Special to the Acorn

In past columns I've talked about surrounding yourself with expert advisers, lining up the cash you will need in your business, managing your value drivers and having periodic "health checkups" as a way to practice preventative maintenance on your business. If you have employees, however, how your business' bottom line performs depends heavily on how your employees perform.

Let's face it, your employees don't have the same motivation to perform well in the same way that you do as the business owner. They will generally perform in a way that is in their best interest. Most employees recognize that it is in their best interest to perform in a way that you, the business owner, define as performing well.

Employees who don't care if they are viewed as performing well are candidates for "career counseling." For the rest of your employees, your main job is to communicate what performing well is. A major mistake that many business owners make is in not formally communicating the definition of good performance.

Whether you communicate the definition of good job performance formally or informally, your employees will figure out what it takes to succeed. They are very adept at identifying your "hot" buttons and how to avoid them. On the other hand, what seems to be common sense to you may not be so obvious to your employees. If you want your employees to achieve maximum performance levels, you need to formally communicate the definition of good performance.

There are two ways to measure employee performance: subjectively and objectively. Subjective performance evaluation is your determination of performance based on your memory without clear measures to back them up. This can often result in confusion when employees have difficulty reconciling their own subjective opinions on how they performed with yours. Sometimes one or two negative incidents can stand out in your memory even though your employees performed well most of the time.

Developing objective measures of good performance can eliminate the mutual frustration and confusion that can result from an informal, subjective performance evaluation. When developing objective performance measurement systems, bear one important point in mind: Whatever you determine is the measure of good performance, your employees will work diligently to make those measures look good.

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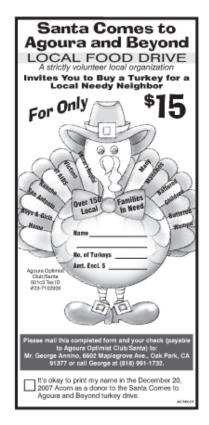
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It is critical that you select measures for defining good performance that support the overall goals you have for your business. If the wrong measures are selected, you are likely to find your business going in the wrong direction really fast. That's why it is so critical to understand your business value drivers. Measure those activities that promote your value drivers and hold your employees accountable for improving them.

For more information on implementing business performance measurement processes, consider the book "The Balanced Score Card: Translating Strategy into Action" by David Norton and Robert Kaplan. More than 60 percent of Fortune 1,000 companies have implemented performance measurement systems based on this book since it was published in 1992.

Whatever you do to improve the performance of your business, provide your employees with the definition of success. They will appreciate having a clear idea of your definition of success, and you will appreciate the improved productivity and bottom line results that follow.



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